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PROVISIONAL REGULATIONS OF CHINESE GOVERNMENT REGARDING ALLOCATION AND USE OF FOREIGN EXCHANGE

[Comment: This report gives in full the text of the "Provisional Regulations Regarding the Allocation and Use of Foreign Exchange" promulgated by the Government Administration Council of the Central People's Government on 16 October 1950.]

1. This regulation is set up specifically for the purpose of centralizing the allocation and rational use of foreign exchange.
2. Foreign Exchange, as referred to under this regulation, means foreign currency having a purchasing power and a foreign market such as bills of exchange (including cable transfers, sight drafts, long drafts, and certified drafts), checks (including traveler's checks, etc.), time drafts, payment vouchers, and all foreign bills of exchange.
3. All Foreign Exchange proceeds shall be centrally administered by the Committee of Finance and Economics of the CPG (Central People's Government). The Committee of Finance and Economics, CPG, shall centrally administer all foreign exchange proceeds of the nation and also allocate their use; no department shall use any foreign exchange excepting such amounts as have been approved upon application. The Committee of Finance and Economics shall hold the People's Bank of China responsible for reporting every 10 days the total nationwide receipt of foreign exchange proceeds and shall notify the People's Bank of China its quarterly quota of allotted foreign exchange.
4. The Committee of Finance and Economics, in accordance with the policy of protecting trade, shall allocate Foreign Exchange for the importing of machinery and materials that are essential to national reconstruction, but not for machinery and materials which can be provided by domestic products. Foreign Exchange for essential imports of machinery and materials, when approved, shall be allocated according to actual need.

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5. The administration of Foreign Exchange quotas shall be governed by the following regulations:

a. Whenever any military and administrative organ of the Central People's Government, or its subordinate service organs, or state-owned enterprises, makes application for Foreign Exchange for the import of machinery and materials, the application shall be accompanied with import plans and the required quota of Foreign Exchange and shall be sent to higher authorities for auditing. Then it shall be turned over to the Committee of Finance and Economics, CPG, for approval, and thereafter the quotas shall be allocated quarterly.

b. Whenever a major administrative area and/or the subordinate military and administrative committees of a provincial and municipal people's government, and/or the various source agencies, and/or the various state-owned enterprises apply for Foreign Exchange for the importation of machinery and materials, such applications, accompanied with import plans and the aggregate quota of Foreign Exchange requested, should be submitted to the Committee of Finance and Economics of the respective major administrative area for auditing and thereafter turned over to the Committee of Finance and Economics, CPG, for approval; and thereafter the quotas shall be allocated on a quarterly basis. The actual expenditure shall be administered by the Committee of Finance and Economics of the respective major administrative area.

For the five provinces and two municipalities of North China under the CPG such application shall be examined by the Committee of Finance and Economics of the respective provincial and municipal peoples government (or the Commerce and Industry Bureau), and thereafter submitted to the North China Administrative Committee for auditing after which it shall be referred to the Committee of Finance and Economics, CPG, for approval, and thereafter quotas shall be allocated on a quarterly basis. The actual expenditure shall be administered by the North China Administrative Committee.

c. Whenever private enterprises apply for Foreign Exchange for the importation of machinery and materials, such application must be approved by the proper Committee of Finance and Economics of a provincial and municipal people's government (or the Commerce and Industry Bureau); thereafter it shall be submitted along with import plans and the quota of Foreign Exchange requested to the Committee of Finance and Economics of a major administrative area for examination and auditing, and then referred to the Committee of Finance and Economics, CPG, for approval, and thereafter the quotas shall be allocated on a quarterly basis. The actual expenditure shall be administered by the Committee of Finance and Economics of each respective major administrative area.

Whenever private enterprises in the five provinces and two municipalities of North China apply for Foreign Exchange, such application will have to be approved by the proper Committee of Finance and Economics of a provincial and municipal people's government (or the Commerce and Industry Bureau), and it shall be submitted to the North China Administrative Committee for examination and auditing, which, in turn, shall submit the application to the Committee of Finance and Economics, CPG, for approval. The actual expenditure shall be administered by the North China Administrative Committee.

d. The expenditure of Foreign Exchange as described in Paragraphs b and c above shall be reported in the form of a financial statement at the end of each quarter to the Committee of Finance and Economics, CPG. The various Committees of Finance and Economics of the major administrative areas and the North China Administrative Committee are responsible for these reports.

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6. Foreign Exchange applications for purposes other than imports shall be handled according to the following regulations:

a. Subordinate organs of the CPG, parties, mass organizations, technological agencies, etc., applying for foreign exchange for operating expense, such as diplomatic expenses, traveling expenses, living expenses, expenses for propaganda activities, expenses for students studying abroad, inspection expenses, and postal and telegraph expenses, etc., shall be estimated on a quarterly basis by the Ministry of Finance, CPG, and then submitted to the Committee of Finance and Economics, CPG, for approval. The expenditures shall be administered by the Ministry of Finance which shall submit quarterly financial statements to the Committee of Finance and Economics, CPG, for auditing.

b. Whenever the various applicants within an administrative area apply for Foreign Exchange for operating expenses, such as traveling expenses, insurance, foreign storage expenses, living expenses, etc., the application submitted by the applicant must show the need and purpose of the request and be accompanied by a certificate of approval from the local authorities. (For instance, certificates for ship passage and insurance can be obtained from the foreign trade agency.) The applicant must then take this certificate to the People's Bank of China located in any port, or its designated correspondent bank, and exchange the certificate for Foreign Exchange. The various banks shall report to the Head Office of the People's Bank of China showing the aggregate total of Foreign Exchange exchanged and how it was expended. These reports shall then be submitted to the Committee of Finance and Economics, CPG, for approval and auditing.

7. When a Foreign exchange certificate is granted, the applicant shall take that certificate to the People's Bank of China or its designated correspondent bank and exchange his yuan (Jen-min-piao) for foreign exchange at the posted rate of exchange plus commission.

8. When an applicant is granted a foreign exchange certificate, that certificate must be exchanged within 2 months from the date he receives it or it shall be void. However, if it should be physically impossible for him to do so within this period, he may petition for a time extension.

9. The various major administrative areas and Committees of Finance and Economics of the provincial and municipal people's governments, in administering the allocation and use of foreign exchange, must contact the Ministry of Finance, the banks, the Ministry of Commerce, the Customs Administration and other interested agencies at a stated time for a study of the arrangement and allocation of foreign exchange.

10. This regulation shall become effective upon public posting.

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